



March 18, 2005

To: Gary M. Jackson, Assistant Administrator for Size Standards
Small Business Administration, 409 Third Street, SW; Washington, DC 20416

From: Carol Bailey, Vice President, TEC Materials Testing & Nuclear *C Bailey*

Subject: Rulemaking Number RIN 3245-AF22 – Comments Due April 3, 2005
SBIR Size Standards for Venture Capital Companies

Technology for Energy Corporation (TEC) has been the recipient of several Small Business Innovation Research (SBIR) awards and has collaborated with other SBIR recipients in this process. TEC wishes to comment on proposed changes in the SBIR program that would allow large venture capital companies to compete against small businesses for SBIR funds. TEC agrees with the Small Business Technology Coalition (SBTC) that the proposed changes would prove detrimental to many SBIR companies and to the SBIR program as a whole.

The fundamental objective of the SBIR program has always been to fund product development initiatives by small businesses. Small businesses have limited resources for self-funding and are at significant disadvantage when competing with large companies for outside funding. Venture capitalists and biotech lobbyists are attempting to raid the highly successful SBIR program established to provide development funds where none would exist otherwise. Instead the venture capitalists and biotech lobbyists would do well to focus their attention on the many sources of funding already accessible to them. All businesses big and small are very important to the U.S. economy. However, economic growth over the past decade has been most positively influenced by an increasing number of successful small businesses. SBIR funding has contributed significantly to the growth and success of small technology-driven companies such as TEC.

The following comments further explain the basis for TEC's opposition to the move launched to expand the rules of eligibility for SBIR awards to include large venture capital companies:

1. Successful SBIR proposals require recipients to develop early relationships with technical contacts who have a problem to solve or a need to fill. This process starts even before a topic is submitted and approved for the SBIR program. In most cases, one or more potential awardees already have been identified by the time an SBIR topic is approved. Developing these relationships requires a small business to rely on ingenuity, interpersonal skills, and excellent customer support over a number of years to be successful. Small businesses cannot afford to hire active lobbyists and compete with large companies who have more resources at their disposal. In other words, large businesses have the financial means to buy what they need to be eligible for funding established primarily for small businesses.
2. Small businesses seeking SBIR funding must have built expertise by investing in creative people and technology over a number of years. Large venture capitalists have the funds necessary to hire people and technology they want over a much shorter period of time to achieve the same results.
3. Far less effort is required to take over a successful program than to establish a new program. Large business interests have the means and the opportunity to obtain funding from other separate programs. Creating a competitive situation that favors large businesses over small ones will adversely affect the livelihood of small businesses and put the SBIR program in jeopardy as well.

Thank you for the opportunity to comment on this important proposal.

Copy: Congressman John J. Duncan, Jr. – Knoxville, TN Office & Washington, DC Office